

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA GAS OF)	
KENTUCKY, INC. FOR AUTHORITY FOR THE)	CASE NO. 91-470
ISSUANCE AND SALE OF PROMISSORY NOTES)	

O R D E R

On December 30, 1991, Columbia Gas of Kentucky, Inc. ("Columbia") filed its application seeking authority to issue and sell up to \$4,000,000 in principal amount of Installment Promissory Notes ("Notes"). The proceeds will be used to assist in financing the 1992 construction program set forth in Appendix A and for other lawful corporate purposes. The proposed Notes are to be sold to the Columbia Gas System, Inc. ("System").

The Notes will be dated the date of their issue and will have the same terms and provisions as the outstanding non-registered Notes of Columbia, except that they will be payable in equal annual installments not to exceed 30 years as opposed to 15, 20, or 25 years and that they will be subject to a default rate of 2 percent per annum in excess of the stated rate on the unpaid principal amount. The default rate will be assessed if any interest or principal payment becomes past due. The interest rate of the Notes will be determined quarterly based on the three-month average yield on newly "A" rated 25-30 year utility bonds as published in Salomon Brothers' weekly Bond Market Roundup.

The default rate exception and the interest rate are atypical provisions of Columbia's financing proposals. However, the Commission recognizes the financial condition of Columbia's parent, System, and the impact this has on efforts to raise capital.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance and sale by Columbia of up to \$4,000,000 in principal amount of Notes are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, are reasonably necessary and appropriate for such purposes, and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Columbia be and it hereby is authorized to issue and sell up to \$4,000,000 of Notes.

2. Columbia shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the terms, and all fees and expenses involved in the issuance and distribution.

3. Columbia shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

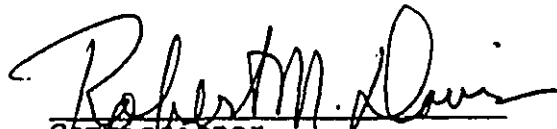
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 20th day of February, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-470 DATED 2/20/92

COLUMBIA GAS OF KENTUCKY, INC. 1992 CONSTRUCTION PROGRAM

<u>Description</u>	<u>Amount</u>
<u>Production</u>	
Well and Gathering Lines	-0-
Propane Facilities	\$ 60,000
Measuring and Regulating Facilities	12,000
Gas Supply	
<u>Distribution</u>	
Lines	2,197,000
Meters and Regulators	939,000
Service Lines	3,122,000
Measuring and Regulating Facilities	170,000
Cathodic Protection Systems	275,000
Specific - New Business	800,000
Specific - Condition	150,000
Specific - Mandatory	275,000
Specific - Betterment	675,000
Carryover Budgets	115,000
<u>General</u>	
Natural Gas Vehicles	350,000
Communications Equipment	139,000
Structures and Equipment	20,000
Office Furniture and Equipment	35,000
EDP Equipment	78,000
Carryover Budgets	94,000
Miscellaneous	50,000
Total Gross Additions	\$9,556,000
Less Non-Cash and Salvage	56,000
Total Net Cash	\$9,500,000